

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6833

BILL NUMBER: HB 1356

NOTE PREPARED: Jan 20, 2011

BILL AMENDED:

SUBJECT: Military Service Credit for TRF Members.

FIRST AUTHOR: Rep. Kersey

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Military Service Credit:* This bill grants, under certain conditions, up to six years of service credit in the Teachers' Retirement Fund (TRF) for a member's past active duty military service.

Minimum Benefit: The bill provides that the pension portion of the monthly benefit payable to a member of the TRF who retired before January 1, 1979, and has at least 20 years of creditable service may not be less than \$500.

Effective Date: July 1, 2011; January 1, 2012.

Explanation of State Expenditures: *Military Service Credit:* The impact would depend on the number of TRF members who might qualify for the credit. A survey was done in 2007 of male TRF members born before 1936 and were in the military. Based on that survey and extrapolating the potential cost to all participants, the impact on the fund would be the following.

	Increase in Annual Cost	Increase in Unfunded Accrued Liability
Pre-1996 Account (State)	\$2.9 M to \$3.4 M	\$40 M to \$57 M
1996 Account (Schools)	\$0.6 M to \$1.1 M	\$11 M to \$21 M
Total	\$3.5 M to \$4.5M	\$51 M to \$78 M

Minimum Benefit: The impact would increase state costs for the Teachers Retirement Fund by about \$1.1M

the first year, declining slowly in later years. It would increase the fund's unfunded accrued liability by about \$6 M.

Currently, about 523 retired teachers would qualify for the increased benefit. The benefit amounts of an additional 88 members who are currently receiving a benefit greater than \$500 would also be affected because their beneficiary would otherwise begin to receive less than \$500 per month upon the member's death.

Explanation of State Revenues:

Explanation of Local Expenditures: Schools would be responsible for the 1996 account costs. See *Explanation of State Expenditures*.

Explanation of Local Revenues:

State Agencies Affected: Teachers Retirement Fund.

Local Agencies Affected: Local schools.

Information Sources: John Dowell, Nyhart Group, actuaries for TRF, 317-845-3580.

Fiscal Analyst: Chuck Mayfield, 317-232-4825.

DEFINITIONS

Funded Status- The ratio of the assets of a pension plan to its liabilities.

Actuarial Liability- The actuarial liability is the present value of benefits to be paid by the fund minus the present value of future contributions to be paid into the fund.

Unfunded Actuarial Liability- The unfunded actuarial liability, sometimes called the unfunded liability, of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.